

**REPORT OF THE AUDIT OF THE  
GREENUP COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE GREENUP COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**

The Auditor of Public Accounts has completed the Greenup County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Cash balances decreased by \$224,854 from the beginning of the year, resulting in a cash surplus of \$1,363,877 as of June 30, 2003.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2003, was \$1,835,000. Future collections of \$1,798,516 are needed to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$1,178,666 as of June 30, 2003. Future principal and interest payments of \$1,359,270 are needed to meet these obligations.

#### **Report Comment:**

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Robert W. Carpenter, Greenup County Judge/Executive  
Members of the Greenup County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Greenup County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances-governmental fund types, the statement of cash receipts, cash disbursements, and changes in cash balances-proprietary fund type; and the related statement of cash flows-proprietary fund type for the year then ended. These financial statements are the responsibility of the Greenup County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Greenup County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of Greenup County, Kentucky, as of June 30, 2003, and its receipts and disbursements and the cash flows of its enterprise fund for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Robert W. Carpenter, Greenup County Judge/Executive  
Members of the Greenup County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2004, on our consideration of Greenup County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Greenup County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
February 3, 2004



GREENUP COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

**Fiscal Court Members:**

Robert W. Carpenter	County Judge/Executive
Nelson Allen	Commissioner
Tony Quillen	Commissioner
William Michael Hieneman	Commissioner

**Other Elected Officials:**

Michael Wilson	County Attorney
Jim Womack	Jailer
Donald L. Davidson	County Clerk
Allen Reed	Circuit Court Clerk
Keith Cooper	Sheriff
William Clary	Property Valuation Administrator
Leslie Neal Wright	Coroner

**Appointed Personnel:**

Carol Vinson	County Treasurer
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STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

GREENUP COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	Governmental Fund Type		
	General	Special Revenue	Debt Service
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Cash and Cash Equivalents	\$ 169,316	\$ 133,248	\$ 485,187
Certificate of Deposit		238,622	
Investments	202,946	101,577	
Notes Receivable (Note 4)		162,625	
Due From Landfill Fund (Note 5)			57,078
Total Assets	<u>\$ 372,262</u>	<u>\$ 636,072</u>	<u>\$ 542,265</u>
<u>Other Resources</u>			
Amounts to Be Provided In Future Years for:			
Bond Payments (Note 6)	\$	\$	\$ 1,292,735
Capital Lease (Note 7)	1,178,666		
Total Other Resources	<u>\$ 1,178,666</u>	<u>\$ 0</u>	<u>\$ 1,292,735</u>
Total Assets and Other Resources	<u>\$ 1,550,928</u>	<u>\$ 636,072</u>	<u>\$ 1,835,000</u>

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY  
 STATEMENT OF ASSETS, LIABILITIES,  
 AND EQUITY ARISING FROM CASH TRANSACTIONS  
 June 30, 2003  
 (Continued)

Proprietary Fund Type		Totals (Memorandum Only) Reporting Entity	
<u>Enterprise</u>			
\$	32,974	\$	820,725
			238,622
			304,523
			162,625
			<u>57,078</u>
\$	32,974	\$	1,583,573
\$		\$	1,292,735
			<u>1,178,666</u>
\$	0	\$	2,471,401
\$	32,974	\$	4,054,974

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY  
 STATEMENT OF ASSETS, LIABILITIES,  
 AND EQUITY ARISING FROM CASH TRANSACTIONS  
 June 30, 2003  
 (Continued)

	Governmental Fund Type		
	General	Special Revenue	Debt Service
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Bond Principal -			
1997 Refunding Issue (Note 6)	\$	\$	\$ 1,835,000
Capital Lease (Note 7)	1,178,666		
Due to Public Properties Corporation Fund	57,078		
Total Liabilities	<u>\$ 1,235,744</u>	<u>\$ 0</u>	<u>\$ 1,835,000</u>
<u>Equity</u>			
Fund Balances:			
Reserved	\$	41,912	\$
Unreserved	315,184	594,160	
Total Equity	<u>\$ 315,184</u>	<u>\$ 636,072</u>	<u>\$ 0</u>
Total Liabilities and Equity	<u><u>\$ 1,550,928</u></u>	<u><u>\$ 636,072</u></u>	<u><u>\$ 1,835,000</u></u>

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY  
 STATEMENT OF ASSETS, LIABILITIES,  
 AND EQUITY ARISING FROM CASH TRANSACTIONS  
 June 30, 2003  
 (Continued)

<u>Proprietary</u> <u>Fund Type</u>	<u>Totals</u> <u>(Memorandum Only)</u>
<u>Enterprise</u>	
\$	\$ 1,835,000
	1,178,666
	<u>57,078</u>
\$ 0	\$ 3,070,744
\$ 32,974	\$ 41,912
	<u>942,318</u>
\$ 32,974	\$ 984,230
\$ 32,974	\$ 4,054,974

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPES

GREENUP COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPES

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,931,608	\$ 2,385,172	\$ 629,049	\$ 27,921
Other Financing Sources:				
Transfers In	311,475		456,000	
Kentucky Advance Revenue Program	1,000,800	475,800		
Total Cash Receipts	<u>\$ 3,243,883</u>	<u>\$ 2,860,972</u>	<u>\$ 1,085,049</u>	<u>\$ 27,921</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,376,169	\$ 2,365,717	\$ 1,043,767	\$ 23,877
Other Financing Uses:				
Schedule of Public Properties				
Corporation Fund Expenditures				
Transfers Out	757,446	160,000		
Bonds:				
Principal Paid				
Interest Paid				
Capital Lease Agreement:				
Principal on Lease				
Kentucky Advance Revenue Program Repaid	1,000,800	475,800		
Total Cash Disbursements	<u>\$ 3,134,415</u>	<u>\$ 3,001,517</u>	<u>\$ 1,043,767</u>	<u>\$ 23,877</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 109,468	\$ (140,545)	\$ 41,282	\$ 4,044
Cash Balance - July 1, 2002 (a)	<u>57,006</u>	<u>144,664</u>	<u>1,612</u>	<u>13,473</u>
Cash Balance - June 30, 2003 (a)	<u>\$ 166,474</u>	<u>\$ 4,119</u>	<u>\$ 42,894</u>	<u>\$ 17,517</u>

(a) Cash balance includes investments.

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPES  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

General Fund Type			Special Revenue Fund Type		
Landfill Fund	Public Defender Fund	Local Government Economic Development Fund	State Grants Fund	Federal Grants Fund	Revolving Loan Fund
\$ 596,002	\$ 35	\$ 24,834	\$ 64,054	\$ 1,126,063	\$ 63,275
56,000					
<u>\$ 652,002</u>	<u>\$ 35</u>	<u>\$ 24,834</u>	<u>\$ 64,054</u>	<u>\$ 1,126,063</u>	<u>\$ 63,275</u>
 \$ 647,438	 \$ 4,836	 \$ 12,388	 \$ 67,719	 \$ 1,137,755	 \$ 13,924
98,000	1,400			4,075	48,000
112,506					
<u>\$ 857,944</u>	<u>\$ 6,236</u>	<u>\$ 12,388</u>	<u>\$ 67,719</u>	<u>\$ 1,141,830</u>	<u>\$ 61,924</u>
\$ (205,942)	\$ (6,201)	\$ 12,446	\$ (3,665)	\$ (15,767)	\$ 1,351
332,236	8,726		44,498	16,846	269,111
<u>\$ 126,294</u>	<u>\$ 2,525</u>	<u>\$ 12,446</u>	<u>\$ 40,833</u>	<u>\$ 1,079</u>	<u>\$ 270,462</u>

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPES  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

	Special Revenue Fund Type	Debt Service Fund Type	
	E911 Fund	Public Properties Corporation Fund	Totals (Memorandum Only)
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 298,131	\$ 68,458	\$ 7,214,602
Other Financing Sources:			
Transfers In		245,446	1,068,921
Kentucky Advance Revenue Program			1,476,600
Total Cash Receipts	\$ 298,131	\$ 313,904	\$ 9,760,123
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 254,734	\$	\$ 6,948,324
Other Financing Uses:			
Schedule of Public Properties			
Corporation Fund Expenditures		16,117	16,117
Transfers Out			1,068,921
Bonds:			
Principal Paid		160,000	160,000
Interest Paid		180,242	180,242
Capital Lease Agreement:			
Principal on Lease			112,506
Kentucky Advance Revenue Program Repaid			1,476,600
Total Cash Disbursements	\$ 254,734	\$ 356,359	\$ 9,962,710
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 43,397	\$ (42,455)	\$ (202,587)
Cash Balance - July 1, 2002 (a)	117,676	527,642	1,533,490
Cash Balance - June 30, 2003 (a)	\$ 161,073	\$ 485,187	\$ 1,330,903

(a) Cash balance includes investments.

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES – PROPRIETARY FUND TYPE



GREENUP COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES – PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	Enterprise Fund Type
	<hr/>
<u>Cash Receipts</u>	Jail Canteen Fund
	<hr/>
Jail Canteen Receipts	\$ 113,246
	<hr/>
Total Cash Receipts	\$ 113,246
	<hr/>
<u>Cash Disbursements</u>	
Jail Canteen Expenditures	\$ 135,513
	<hr/>
Total Cash Disbursements	\$ 135,513
	<hr/>
(Deficiency) of Cash Receipts (Under) Cash Disbursements	\$ (22,267)
Cash Balance - July 1, 2002	55,241
	<hr/>
Cash Balance - June 30, 2003	\$ 32,974
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STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE



GREENUP COUNTY  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	Enterprise Fund Type
	<u>                    </u>
	Jail Canteen Fund
	<u>                    </u>
Cash Flows From Operating Activities:	
Cash Received From Inmate Sales	\$ 112,001
Payments to Suppliers	(112,010)
Other Payments	<u>(22,258)</u>
Net Cash Used By Operating Activities	<u>\$ (22,267)</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	<u><u>\$ (22,267)</u></u>

GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Greenup County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Greenup County, Kentucky, Public Properties Corporation Fund as part of the reporting entity.

Greenup County, Kentucky Public Properties Corporation

The Greenup County, Kentucky Public Properties Corporation (the Corporation) is a legally separate entity established to provide long-term debt service for the fiscal court. The Corporation's governing body consists entirely of fiscal court members. Therefore management must include the Corporation as a component unit, and the Corporation's financial activity has been blended with that of the fiscal court.

Additional - Greenup County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Greenup County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Greenup County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Greenup County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Landfill Fund, Public Defender Fund, and Local Government Economic Development Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Greenup County Special Revenue Fund Type includes the following county funds: State Grants Fund, Federal Grants Fund, Revolving Loan Fund, and E911 Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest. The Greenup Debt Service Fund Type includes the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Enterprise Fund Type

The Enterprise Fund Type is used to report activities for which a fee is charged to external users for goods or services. The Greenup County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Greenup County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Public Properties Corporation Fund. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts and investments are stated at cost. The county considers certificates of deposit with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Jointly Governed Organization

A jointly governed organization is an entity that results from a multigovernmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating governments. The jointly governed organization can act independently of each of the participating governments. The Northeast Kentucky Regional Industrial Park Authority meets the criteria noted above and is disclosed as an organization jointly governed by the counties of Boyd, Carter, Elliott, Greenup, and Lawrence. The Boyd/Greenup Riverport Authority also meets the criteria noted above and is disclosed as an organization jointly governed by the Kentucky counties of Boyd and Greenup.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$210,372 of public funds uninsured and unsecured. In addition, the county did not have a written agreement with the depository institution securing the county's interest in the collateral.

GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 3. Deposits and Investments (Continued)

A. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2003.

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Uncollateralized and uninsured	<u>210,372</u>
Total	<u><u>\$ 310,372</u></u>

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

Types of	<u>Category</u>			Carrying	Market
<u>Investments</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Repurchase					
Agreements	<u>\$ 304,523</u>	<u>\$</u>	<u>\$</u>	<u>\$ 304,523</u>	<u>\$ 304,523</u>

Note 4. Receivables

- A. The County's Revolving Loan Fund loaned \$235,000 to R&D Associates, Inc. on June 8, 1998. Terms of the agreement stipulate 30 quarterly payments in the amount of \$7,481 commencing October 10, 1998. Interest is at the rate of 5% per annum. As of June 30, 2003, the principal balance due was \$132,046.
- B. The County's Revolving Loan Fund loaned \$40,000 to Ohio River Shippers on September 18, 2000. Terms of the agreement stipulate 60 monthly payments in the amount of \$755 commencing October 1, 2000. Interest is at the rate of 5% per annum. As of June 30, 2003, Ohio River Shippers was two months behind in payments. As of June 30, 2003, the principal balance due was \$20,579.



GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 4. Receivables (Continued)

C. The County's Revolving Loan Fund loaned \$10,000 to the Riverport Authority on November 13, 2001. There were no terms established for repayment and no interest rate was specified. As of June 30, 2003, the principal balance due was \$10,000.

Note 5. Public Properties Corporation

The Greenup County, Kentucky, Public Properties Corporation paid \$125,000 on June 12, 2001, to purchase property on behalf of the fiscal court. The \$125,000 is to be replaced periodically from the Landfill Fund receipts. As of June 30, 2003, the principal balance was \$57,078. The following schedule summarizes the interfund receivable and payable as of June 30, 2003.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service Fund Type	General Fund Type	
Public Properties Corporation Fund	Landfill Fund	<u>\$ 57,078</u>

Note 6. Long-Term Debt

On September 1, 1997, the Greenup County, Kentucky, Public Properties Corporation issued \$2,745,000 of First Mortgage Refunding Revenue Bonds, Series 1997 for the purpose of defeasing the 1990 Bond Series Issue. The 1990 bonds were originally issued to finance the construction of the Greenup County Courthouse Annex and Detention Center Project. The Refunding Bonds dated September 1, 1997, require two semiannual interest payments be made on March 1 and September 1 of each year commencing March 1, 1998. Principal payments are due on March 1 of each year commencing March 1, 1998. The bonds will mature March 1, 2012. As of June 30, 2003, the principal balance remaining was \$1,835,000. Future bond principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 93,423	\$ 165,000
2005	85,420	175,000
2006	76,845	180,000
2007	67,935	190,000
2008	58,435	200,000
2009-2012	<u>123,723</u>	<u>925,000</u>
Totals	<u>\$ 505,781</u>	<u>\$ 1,835,000</u>

GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 7. Capital Lease

On May 10, 2002, the Greenup County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties to borrow \$1,300,000 for road paving. The agreement requires variable monthly payments for 120 months to be paid in full May 20, 2012. As of June 30, 2003, the principal balance was \$1,178,666. Future lease principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 36,591	\$ 115,851
2005	32,769	119,672
2006	28,822	123,620
2007	24,743	127,698
2008	20,531	131,911
2009-2012	<u>37,148</u>	<u>559,914</u>
Totals	<u>\$ 180,604</u>	<u>\$ 1,178,666</u>

Note 8. Insurance

For the fiscal year ended June 30, 2003, Greenup County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



GREENUP COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,928,780	\$ 1,931,608	\$ 2,828
Road and Bridge Fund	2,568,488	2,385,172	(183,316)
Jail Fund	529,550	629,049	99,499
Local Government Economic Assistance Fund	32,000	27,921	(4,079)
Landfill Fund	475,000	596,002	121,002
Public Defender Fund	100	35	(65)
Local Government Economic Development Fund	25,000	24,834	(166)
<u>Special Revenue Fund Type</u>			
State Grants Fund	556,500	64,054	(492,446)
Federal Grants Fund	1,172,100	1,126,063	(46,037)
Revolving Loan Fund	58,600	63,275	4,675
E911 Fund	308,000	298,131	(9,869)
Totals	<u>\$ 7,654,118</u>	<u>\$ 7,146,144</u>	<u>\$ (507,974)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 7,654,118
Add: Budgeted Prior Year Surplus			1,005,075
Less: Other Financing Uses			<u>(357,952)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 8,301,241</u>

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SCHEDULE OF OPERATING REVENUE





GREENUP COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>GOVERNMENTAL FUND TYPES</u>				
<u>Revenue Categories</u>	<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>	<u>Debt Service Fund Type</u>	<u>Totals (Memorandum Only)</u>
Taxes	\$ 1,341,096	\$ 294,265	\$	\$ 1,635,361
In Lieu Tax Payments	313			313
Excess Fees	50,252			50,252
Licenses and Permits	610,300			610,300
Intergovernmental Revenues	3,387,862	1,149,505		4,537,367
Charges for Services	83,455			83,455
Miscellaneous Revenues	92,770	94,361	50,000	237,131
Interest Earned	28,573	13,392	18,458	60,423
Total Operating Revenue	<u>\$ 5,594,621</u>	<u>\$ 1,551,523</u>	<u>\$ 68,458</u>	<u>\$ 7,214,602</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



GREENUP COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 848,812	\$ 818,663	\$ 30,149
Protection to Persons and Property	1,661,200	1,629,731	31,469
General Health and Sanitation	324,459	306,136	18,323
Social Services	4,500	3,500	1,000
Roads	1,875,884	1,700,851	175,033
Airports	6,000	6,000	
Debt Service	48,395	48,395	
Capital Projects	67,500	67,489	11
Administration	982,016	893,427	88,589
Total Operating Budget - General Fund Type	\$ 5,818,766	\$ 5,474,192	\$ 344,574
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund-			
Principal	160,000	160,000	
Interest	85,446	85,446	
Capital Lease Agreement-			
Principal on Lease	112,506	112,506	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 6,176,718</u>	<u>\$ 5,832,144</u>	<u>\$ 344,574</u>

GREENUP COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 109,000	\$ 13,924	\$ 95,076
Protection to Persons and Property	306,897	239,250	67,647
General Health and Sanitation	524,040	76,031	448,009
Social Services	18,000	13,237	4,763
Recreation and Culture	57,521	721	56,800
Other Transportation Facilities and Services	120,000	115,478	4,522
Capital Projects	1,000,000	1,000,000	
Administration	347,017	15,491	331,526
<b>TOTAL BUDGET - SPECIAL REVENUE FUND TYPE</b>	<b>\$ 2,482,475</b>	<b>\$ 1,474,132</b>	<b>\$ 1,008,343</b>

SCHEDULE OF PUBLIC PROPERTIES CORPORTION FUND EXPENDITURES





GREENUP COUNTY  
SCHEDULE OF PUBLIC PROPERTIES CORPORATION FUND EXPENDITURES

For The Fiscal Year Ended June 30, 2003

<u>Expenditure Items</u>	<u>Amounts</u>
Trustee Fees	\$ 513
Equipment	15,600
Miscellaneous	<u>4</u>
Total	<u><u>\$ 16,117</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Robert W. Carpenter, Greenup County Judge/Executive  
Members of the Greenup County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Greenup County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Greenup County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs.

**Reference 2003-1**

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greenup County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
February 3, 2004

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert W. Carpenter, Greenup County Judge/Executive  
Members of the Greenup County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Greenup County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Greenup County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Greenup County's management. Our responsibility is to express an opinion on Greenup County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Greenup County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Greenup County's compliance with those requirements.

In our opinion, Greenup County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of Greenup County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Greenup County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
February 3, 2004

## FINDINGS AND QUESTIONED COSTS



GREENUP COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2003

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Greenup County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statements of Greenup County was disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Greenup County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Greenup County reported in Part C of this schedule.
7. The program tested as a major program was: Disaster and Emergency Assistance Grant, CFDA #83.544.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Greenup County was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

**Reference Number 2003-1**

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On June 30, 2003, \$210,372 of the county's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

*County Judge/Executive Robert Carpenter's Response: At the time Kentucky Bank switched to Peoples Bank, the County Treasurer notified Peoples Bank of these requirements and began the process of compliance.*

GREENUP COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Fiscal Year Ended June 30, 2003  
(Continued)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

PRIOR YEAR FINDINGS FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM  
AUDIT

None.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS





GREENUP COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2003

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
 Cash Programs:		
 <u>U.S. Department of Housing and Urban Development</u>		
 Passed-Through State Department for Local Government:		
Community Development Block Grants- Premier Refractory Project (CFDA #14.228)	B-00-DC-21-0001(013)	\$ 1,000,000
Phase VI Water Project (CFDA #14.228)	B-98-DC-21-0001(019)	9,040
 <u>U.S. Department of Justice</u>		
 Passed-Through State Justice Cabinet:		
Delinquency Prevention Title V- Ramey Truancy Prevention (CFDA #16.548)	2001-JP-FX-2021(24-2)	13,237
 <u>U.S. Department of Transportation</u>		
 Passed-Through State Department of Transportation:		
Transportation Enhancement (ISTEA)- McConnell House Restoration (CFDA #20.205)	FD-52-C-99016538	115,478
 <u>U. S. Federal Emergency Management Agency</u>		
 Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants- March 2002 Severe Weather (CFDA #83.544)	FEMA-1407-DR-KY	324,568

GREENUP COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs: (Continued)		
<u>U. S. Federal Emergency Management Agency (Continued)</u>		
Passed-Through State Department of Military Affairs: (Continued)		
Disaster and Emergency Assistance Grants- (Continued)		
February 2003 Severe Weather (CFDA #83.544)	FEMA-1454-DR-KY	\$ 914,045
May 2003 Severe Weather (CFDA #83.544)	FEMA-1471-DR-KY	<u>159,707</u>
Total Cash Expenditures of Federal Awards		<u>\$ 2,536,075</u>

GREENUP COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2003

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Greenup County, Kentucky and is presented on the modified cash basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

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CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

GREENUP COUNTY FISCAL COURT

For The Fiscal Year Ended  
June 30, 2003



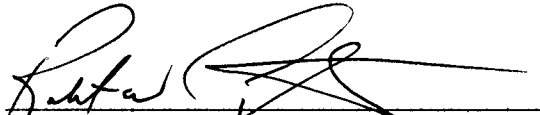
**CERTIFICATION OF COMPLIANCE**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

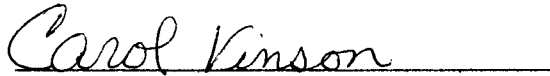
**GREENUP COUNTY FISCAL COURT**

**For The Fiscal Year Ended June 30, 2003**

The Greenup County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read 'Robert W. Carpenter', written over a horizontal line.

Robert W. Carpenter  
Greenup County Judge/Executive

A handwritten signature in black ink, appearing to read 'Carol Vinson', written over a horizontal line.

Carol Vinson  
Greenup County Treasurer





